



# 2002 Supplemental Budget Overview

## Governor Locke's Budget Principles:

- ✓ **Education is Our Highest Priority:** Improving student achievement and access to higher education are the keys to opportunity.
- ✓ **Use Public Works To Create Jobs:** Refinancing the capital budget and approving transportation funding creates thousands of jobs.
- ✓ **Transportation Problems Must Be Addressed:** Fixing serious transportation problems keeps our economy and people moving.
- ✓ **Make Government Work Better:** Eliminating lower priority programs puts focus on the state's highest priorities.
- ✓ **Protect Families and the Environment:** The most vulnerable children and adults are protected, and our natural resources preserved.
- ✓ **Maintain a Responsible Reserve:** A reserve fund of \$300 million is maintained.

## Economy:

Creating Thousands of  
New Jobs in Washington

## Education:

Reducing Class Sizes for More  
Individual Attention

## Transportation:

Adding Capacity to Get  
Washington to Work



# Solving the Budget Problem

## Governor's Priorities for Balancing the Budget

- ✓ Solve a \$1.25 billion problem in the current biennium
- ✓ Reduce spending to match revenue and lower long-term costs
- ✓ Generate new revenue without general tax increase
- ✓ Maintain an adequate reserve

## The Governor's Proposal:

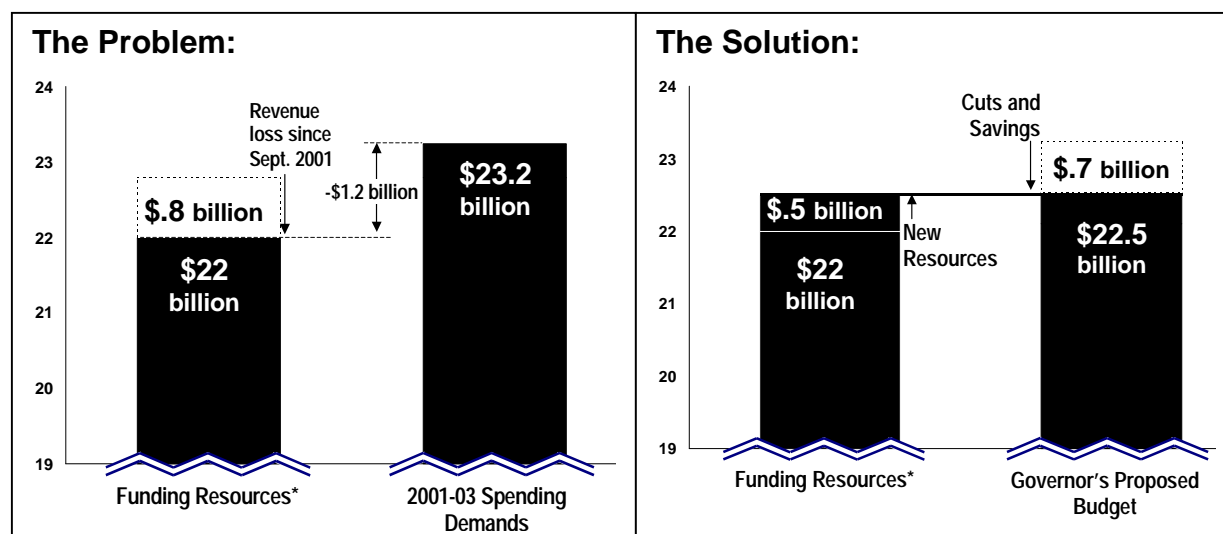
**Solves a 1.25 billion budget problem**, the result of an \$813 million drop in revenue and more than \$400 million in additional spending pressures, by reducing \$22.8 billion 2001-03 General Fund budget by \$566 million and providing \$573 million in additional resources.

**Reduces human-services programs**, which account for 32 percent of General Fund budget, by \$246 million. Reduces general government and natural resources funding by \$41 million, higher education by \$54 million, and discretionary public-school funding by \$29 million.

**Returns \$125 million for ferry and multimodal** transportation programs from General Fund to transportation budget. I-695 backfill for local governments ends, saving \$84.6 million. Selected fund balances and fee increases provide \$54 million.

**Raising liquor prices**, adding a multistate lottery game, taxing card rooms, closing loophole for shipments from out of state, and increasing state tax collection enforcement raises \$169 million.

**\$200 million in new revenue** comes from use of a federal nursing home reimbursement program. Reserve reduced by \$150 million, leaving \$300 balance in rainy day fund.



\*Includes November revenue forecast, beginning fund balance and enacted fund transfers.

Office of Financial Management, 2001

# 2001-03 Supplemental Budget

## THE PROBLEM: \$1.25 Billion Shortfall in Current Biennium

Assumes November caseload/enrollment and revenue updates.

\$1.25 billion		
\$125m Multi-modal, ferries and tort liabilities	\$321m K-12 enrollment, fires, I-732 costs, prisons and required costs for elderly and disabled	\$813m November Revenue Loss

## The Solution:

Return ferry and  
rail costs to  
transportation

Additional resources = \$573 million

Reductions = \$566 million

\$125m Multi-modal & ferries	\$169m Tax compliance, lottery, liquor revenue	\$52m Fees, fund balances	\$200m More Proshare	\$152m Spend ERF & unrestricted reserve	\$60m Pension rate savings	\$72m I-695 backfill	\$44m 10% Minimum for health plans	\$54m Higher ed.	\$235m Human services	\$29m K-12	\$72m All other
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GFS/Emergency Reserve Balance = \$304 million

# Making Government Leaner

## Governor's Priorities for Reducing Costs

- ✓ Reduce costs now, and into the future
- ✓ Eliminate lower-priority programs
- ✓ Reduce growth of state workforce
- ✓ Expand use of money-saving efficiencies

## The Governor's Proposal:

**Reduces \$22.8 billion General Fund budget** for 2001-03 Biennium by \$566 million, which reduces costs in the next full budget cycle, the 2003-05 Biennium, by \$1.2 billion.

**Eliminates 30 state programs entirely** and ends financial support for local governments losing revenue due to passage of Initiative 695. *Saves \$166 million GF-State*

**Eliminates 835 full-time jobs** in General Fund agencies – while adding 559 jobs related to criminal justice, care of elderly and disabled, and other required staffing – for a net decrease of 276 state jobs.

**Re-examines basic business practices** and operations used by state government and cuts \$22 million at agency headquarters.

**Delays effective date** of next year's 2.6 percent cost-of-living adjustment for state employees and vendors by two months. *Saves \$13 million GF-State*

**Tightens belts** of school districts by eliminating block grants, reducing state funding for Education Service Districts, and reducing other discretionary, non-essential grants and services to school districts. *Saves \$30 million GF-State*

**Increases employees' share** of health insurance costs. Compensation package for all state-funded employees, including public-school teachers and higher education employees, assumes all employees pay at least 10 percent of premium costs for health plans of their choice. Doctor's office co-pay increases from \$10 to \$20 for employees covered by managed-care plans. *Saves \$44 million GF-State*

### Eliminating 30 Programs:

1. State SSI Supplement Payments
2. State Library
3. Local Government Replacement Funds
4. Three Fish Hatcheries
5. Block Grant in K-12
6. Mission Creek Youth Camp
7. CTED Film and Video Office
8. Washington State Int'l Trade Fair
9. Family Policy Council
10. Interpreter Services for Medical Assistance Clients
11. Fish and Wildlife Print Shop
12. Crisis Residential Center Assessments
13. Rural Opportunity Fund
14. Alternative Response System
15. Early Intervention Program
16. Continuum of Care
17. Secure Crisis Residential Centers
18. TASC Program
19. Extended Support Services
20. Three Mental Health Community Programs
21. Infant-Friendly Certification
22. Child Product Safety Campaign
23. Farmer's Market Nutrition Program
24. Grants to Northwest Family Center
25. Grants to Neurodevelopmental Center
26. Monetary Supervision of Non-violent Offenders
27. Low-Risk Community Supervision
28. Pre-Sentence Investigation
29. Truancy Petition Requirements
30. Pacific NW Economic Region Dues

# Creating New Jobs, Building for the Future

## Governor's Priorities for the Economy

- ✓ Create new jobs now
- ✓ Restart and refinance capital budget
- ✓ Fix transportation problems
- ✓ Expand worker retraining
- ✓ Move on Competitiveness Council recommendations

## The Governor's Proposal:

**Creates 24,000 new jobs** generated by 10-year transportation-improvement proposal and refinancing \$880 million capital budget in the current biennium. Approval of \$8.5 billion in new state funding for transportation, plus voter-approved regional funding, sustains more than 20,000 jobs over several years. Refinancing capital budget and providing an additional \$100 million for new construction projects creates 4,200 jobs over next few years.

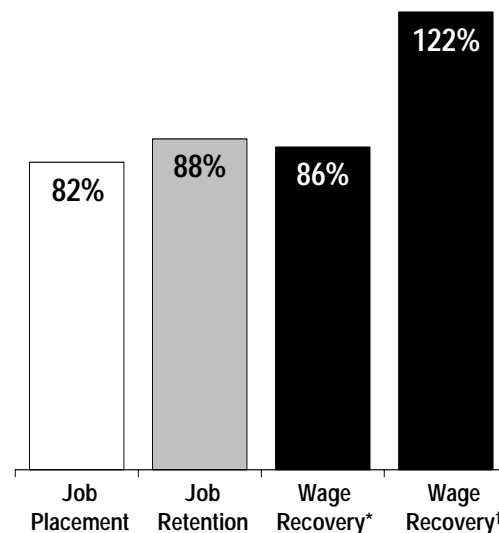
**Expands worker retraining enrollment** to 8,700, adding 1,500 new slots for students at community and technical colleges. Also expands customized training program for new and expanding companies that invest in training workers on the job. *\$9.8 million GF-State.*

**Acts on Washington Competitiveness** Council recommendations to cut regulatory red tape and create new leadership to bring major reform and accountability to the regulatory system. Establishes clear standards and guidelines, creating more certainty for business and reducing time and money spent securing development permits.

**Community Revitalization Board's loan** program gets new funding for new projects to stimulate economic development in rural areas. *\$8.3 million Public Facilities Construction Loan Revolving Account*

### WorkForce Training Success

*Employment Summary for the Class of 1998-99*



\*Students earning \$12 an hour or above prior to entering the WorkForce program recovered 86% of their previous wage upon placement.

†Students earning below \$12 an hour prior to entering the WorkForce program recovered 122% of their previous wage upon placement.

Washington State Board for Community and Technical Colleges, 2000

# Keeping the Commitment to Learning

## Governor's Priorities for the Education

- ✓ Protect funding for public schools and class-size reduction
- ✓ Protect funding for teacher salaries approved by voters
- ✓ Grant additional tuition-setting authority to state colleges and universities

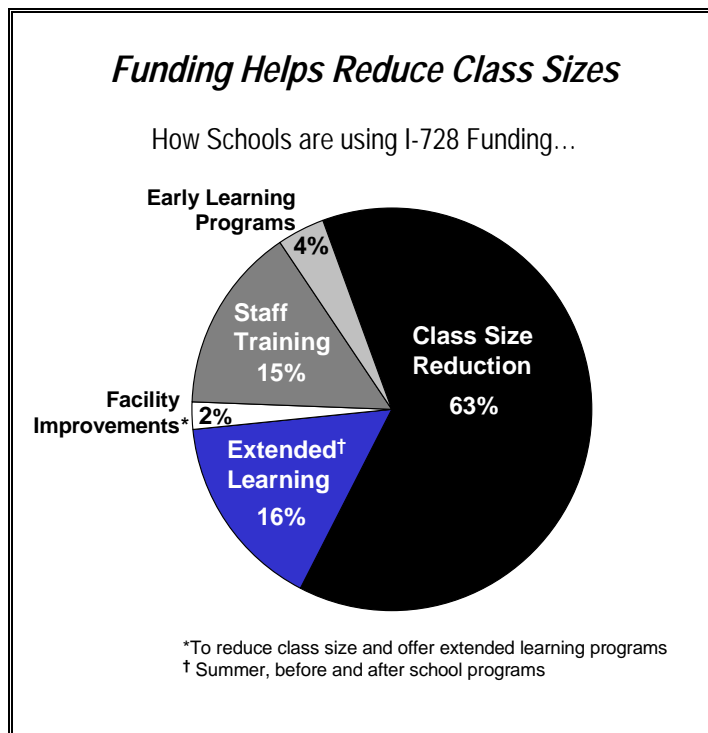
## The Governor's Proposal:

**Provides full funding** for basic education in K-12 public schools. Additional funding in supplemental budget reflects higher-than-expected enrollments. *\$106 million GF-State*

**Fully funds annual salary increases** for state-funded teachers and other school staff – total cost \$333 million in the 2001-03 Biennium – as required by voters under Initiative 732.

Supplemental budget proposal increases next year's COLA, reflecting increase in inflation since biennial budget was adopted. *\$14 million GF-State*

**Continues full funding** to reduce class sizes under Initiative 728 – \$395 million in the 2001-03 Biennium. Supplemental budget increases appropriation to reflect increased student enrollment. *\$1 million Student Achievement Fund*



**Tightens belts** of school districts by eliminating block grants, reducing state funding for Education Service Districts, and reducing other discretionary, non-essential grants and services to school districts. *Saves \$30 million GF-State*

**Maintains enrollment-growth targets** at state colleges and universities despite reductions in General Fund appropriations of 5 percent for four-year institutions and 3 percent for community colleges. Grants full tuition-setting authority to governing boards of higher education institutions. *Saves \$54 million GF-State*

# Getting Washington to Work

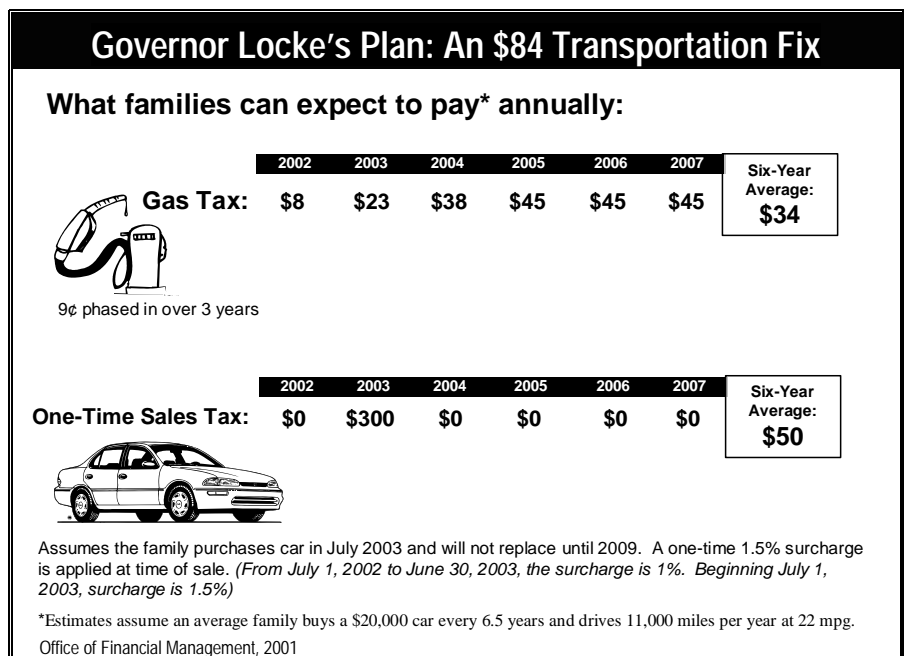
## Governor's Priorities for the Transportation

- ✓ Cut traffic congestion at key chokepoints statewide
- ✓ Stimulate economy, create thousands of new jobs
- ✓ Launch transportation improvement plan measured by performance
- ✓ Give regions taxing authority to accelerate projects

## The Governor's Proposal:

**Makes \$8.5 billion** in state transportation improvements, funded by phased-in 9-cent gas tax increase.

Adds capacity on highways such as I-405, SR 167, I-90 east of Snoqualmie Pass, I-5 in Southwest Washington, and SR 240 in Richland. Replaces ferries built in 1927. Provides public transit assistance grants. Regional funding proposal allows local voters to approve new regional resources to accelerate projects, such as the Alaskan Way Viaduct.



**Targets funding** along major transportation corridors to ensure the greatest return on investment. Ties new dollars to specific transportation projects.

**Sustains 20,000 new jobs** over several years with new state and regional funding as the state's aging transportation infrastructure is upgraded and repaired.

**Emphasizes reform, efficiency, and greater accountability** by establishing performance measures, contracting out for construction engineering services, changes in prevailing wage procedures, establishment of apprenticeship programs, and adoption of other recommendations of the Blue Ribbon Commission on Transportation.

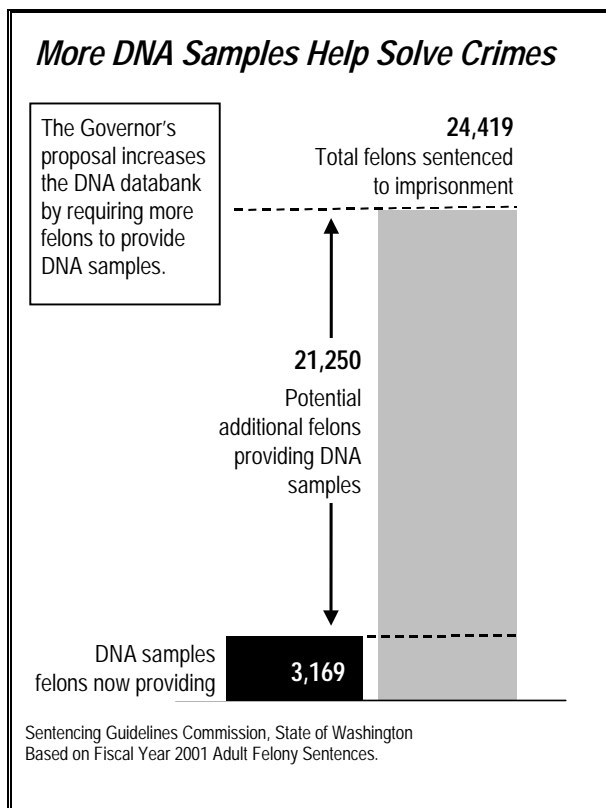
# Keeping Communities Safe from Violence and Terror

## Governor's Priorities for the Public Safety

- ✓ Strengthen Washington's ability to fight terrorism
- ✓ Expand the use of new technology to fight crime

## The Governor's Proposal:

**Fights terrorism** with new legislation increase penalties for terrorism-related crimes, including homicide, use of biological or chemical agents, destroying infrastructure, threatening water systems, and perpetrating terrorist hoaxes.



**Applies racketeering** and money-laundering laws to terrorist operations. Protects certain sensitive records from public disclosure to protect national security, computer codes and other records that could advance terrorist attacks.

**Keeps State Patrol troopers** on state ferries to protect the public. *\$1.9 million State Patrol Highway Account*

**Fights crime with new technology.** Expands state's DNA databank. More felons must provide DNA samples. Speeds Crime Lab evidence testing. *\$1.9 million State and other funds*



**2001-03 Balance Sheet**  
**Including Governor Locke's Proposed 2002 Supplemental Budget**  
General Fund - State  
(Dollars in Millions)

**Resources**

Beginning Fund Balance	599.0
November 2001 Revenue Forecast	21,208.7
Proposed Revenue and Fee Changes	165.6
	<u>\$21,374.3</u>
Total Resources (Revenues plus Beginning Balance)	<u><b>\$21,973.3</b></u>

**Initiative 601 Expenditure Limit**

November 2001 Limit as adusted for Supplemental Budget	23,131.5
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**Expenditures**

Current 2001-03 Appropriations	22,783.2
<b>Governor's Proposed 2002 Supplemental</b>	<b>(252.9)</b>
Revised 2001-03 Budget	<u>22,530.3</u>

**Unrestricted General Fund Reserve**

Unrestricted Balance	(557.0)
Current Budget: Money Transfers into General Fund	228.0
2002 Supplemental: Money Transfers into General Fund	250.1
Transfer from the Emergency Reserve Fund	<u>78.9</u>
	<b>0.0</b>

**Emergency Reserve Fund**

Beginning Balance	461.9
Emergency Reserve Transfers to Transportation	(70.0)
Interest Earnings	15.5
Earthquake/Drought	(25.0)
Transfer to General Fund	<u>(78.9)</u>
	<b>303.5</b>